
FISCAL TOPICS

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Tax Credit: Ethanol Promotion Tax Credit

The Ethanol Promotion Tax Credit is available to retail dealers of gasoline who sell gasoline blended with ethanol. The tax credit is based on the gallons of pure ethanol sold by the retailer as components of gasoline blended with ethanol. The credit, equal to 4.0 cents to 8.0 cents per pure ethanol gallon, is available to retailers meeting a defined schedule of biofuel threshold percentages (pure ethanol gallons divided by total gasoline gallons sold). In determining if a retailer meets a particular biofuel threshold percentage, pure gallons of biodiesel sold by the retailer are counted as pure ethanol gallons.

The tax credit has two defined schedules of biofuel threshold percentages: one schedule for retailers selling 200,000 or fewer gallons of gasoline in a year, and one schedule for retailers selling more than that amount. The biofuel threshold percentage schedules, along with the current per-gallon tax credit amounts, are listed below in **Table 1**. Iowa Code language allows the Governor to adjust the biofuel threshold percentages if certain exigent circumstances exist.

The retail dealer is allowed to claim the Ethanol Promotion Tax Credit on the same gallons used to calculate the dealer's E-85 Gasoline Promotion Tax Credit and E-15 Plus Gasoline Promotion Tax Credit. The Ethanol Promotion Tax Credit replaced the Ethanol Blended Gasoline Tax Credit beginning calendar year (CY) 2009.

Tax Credit Background

- Enabling Legislation: [2006 Iowa Acts, chapter 1142](#) (Regulation of Renewable Fuels and Energy Act)
- Iowa Code Citations:
 - [Section 422.11N](#) — Individual Income Tax
 - [Section 422.33\(11A\)](#) — Corporate Income Tax
- Administrative State Agency: None
- Sunset Date: January 1, 2021
- Transferable: No
- Refundable: Yes
- Carryforward: Instead of a refund, the taxpayer may choose to carry forward unused credits to the next tax year.
- Tax Review Committee Review Year: 2014

Legislative History

As originally enacted in 2006, the tax credit amounts equaled 2.5 cents, 4.5 cents, and 6.5 cents per pure ethanol gallon, depending on the retailer's pure ethanol sales percentage. Legislation enacted in 2011 raised the credit amounts to 4.0 cents, 6.0 cents, and 8.0 cents and also allowed the credit applicant to apply for the credit on a company-wide or individual retail location basis. The sunset date of January 1, 2021, was established in the initial year of the tax credit.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review:

[tax.iowa.gov/sites/default/files/idr/iowa's Biofuel Retailers Tax Credits Evaluation Study 2014.pdf](http://tax.iowa.gov/sites/default/files/idr/iowa's%20Biofuel%20Retailers%20Tax%20Credits%20Evaluation%20Study%202014.pdf)

Department of Revenue Tax Credit Users' Manual:

[tax.iowa.gov/sites/default/files/idr/Tax Credits Users Manual 2018.pdf](http://tax.iowa.gov/sites/default/files/idr/Tax%20Credits%20Users%20Manual%202018.pdf)

Department of Revenue Retailers Motor Fuel Gallons Annual Report:

[tax.iowa.gov/sites/default/files/2019-08/2018 Retailers Fuel Gallons Annual Report.pdf](http://tax.iowa.gov/sites/default/files/2019-08/2018%20Retailers%20Fuel%20Gallons%20Annual%20Report.pdf)

Legislative Services Agency Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

LSA Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov

Table 1 — Ethanol Promotion Tax Credit Schedules

Calendar Year	Retailers With More Than 200,000 Gasoline Gallons Sold in a Year			Retailers With 200,000 or Fewer Gasoline Gallons Sold in a Year		
	Biofuel Threshold Percentage			Biofuel Threshold Percentage		
CY 2009 *	6.0%	8.0%	10.0%	2.0%	4.0%	6.0%
CY 2010 *	7.0%	9.0%	11.0%	2.0%	4.0%	6.0%
CY 2011 *	8.0%	10.0%	12.0%	6.0%	8.0%	10.0%
CY 2012	9.0%	11.0%	13.0%	7.0%	9.0%	11.0%
CY 2013	10.0%	12.0%	14.0%	8.0%	10.0%	12.0%
CY 2014	11.0%	13.0%	15.0%	9.0%	11.0%	13.0%
CY 2015	13.0%	15.0%	17.0%	10.0%	12.0%	14.0%
CY 2016	15.0%	17.0%	19.0%	11.0%	13.0%	15.0%
CY 2017	17.0%	19.0%	21.0%	13.0%	15.0%	17.0%
CY 2018	19.0%	21.0%	23.0%	15.0%	17.0%	19.0%
CY 2019	21.0%	23.0%	25.0%	17.0%	19.0%	21.0%
CY 2020	21.0%	23.0%	25.0%	21.0%	23.0%	25.0%
Per Gallon Tax Credit	4.0 Cents	6.0 Cents	8.0 Cents	2.5 Cents	6.0 Cents	8.0 Cents

* The tax credit was equal to 2.5 cents, 4.5 cents, and 6.5 cents for CY 2009 and 2010, and 2.5 cents, 6.0 cents, and 8.0 cents for CY 2011.

The 2006 legislation also repealed the existing Ethanol Blended Gasoline Tax Credit effective January 1, 2009. That tax credit was equal to 2.5 cents per gallon for ethanol blend gallons sold at a retail location in excess of 60.0% of all gasoline gallons sold at that same location.

Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue review of the Ethanol Promotion Tax Credit released December 2014 (with updated claims data provided by the Department through TY 2016) and the CY 2018 Retailers Fuel Gallons Annual Report:

For CY 2018, retailers responding to the Retailers Fuel Gallons Annual Report survey conducted by the Department of Revenue reported the sale of 1.4 billion gallons of ethanol blended fuel. The breakdown by blended fuel category was:

- E-10 = 1,300.1 million gallons
- E-15 = 36.5 million gallons
- E-85 = 20.2 million gallons

The ethanol component of the 1.4 billion blended gallons is calculated to be 151.5 million ethanol gallons. Using a conversion rate of 2.8 gallons of ethanol per bushel of corn, the 151.5 million gallons of pure ethanol sold in Iowa as a component of blended gasoline represents the utilization of 54.1 million bushels of corn (2.2% of the 2018 Iowa corn crop).

For tax year 2008 through tax year 2016:¹

- A total of \$21.1 million in Ethanol Promotion Tax Credits was claimed by taxpayers, with 45.0% claimed by corporate taxpayers and 55.0% by individual taxpayers (includes business income passed through to the individual income tax return).
- The average number of tax credit claimants in a year was 559.
- Over the nine tax years, \$15.1 million of the \$21.1 million (71.5%) in tax credit claims was claimed by the top 20 claimants in terms of dollars claimed for each of the nine years.

The Department of Revenue reports on the annual credit usage for the Ethanol Promotion Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, **Table 2** and **Graph 1** provide credit

¹ The Department of Revenue indicates that the claim totals for TY 2015 and TY 2016 are not complete.

redemption history and projections for the Ethanol Promotion Tax Credit² on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

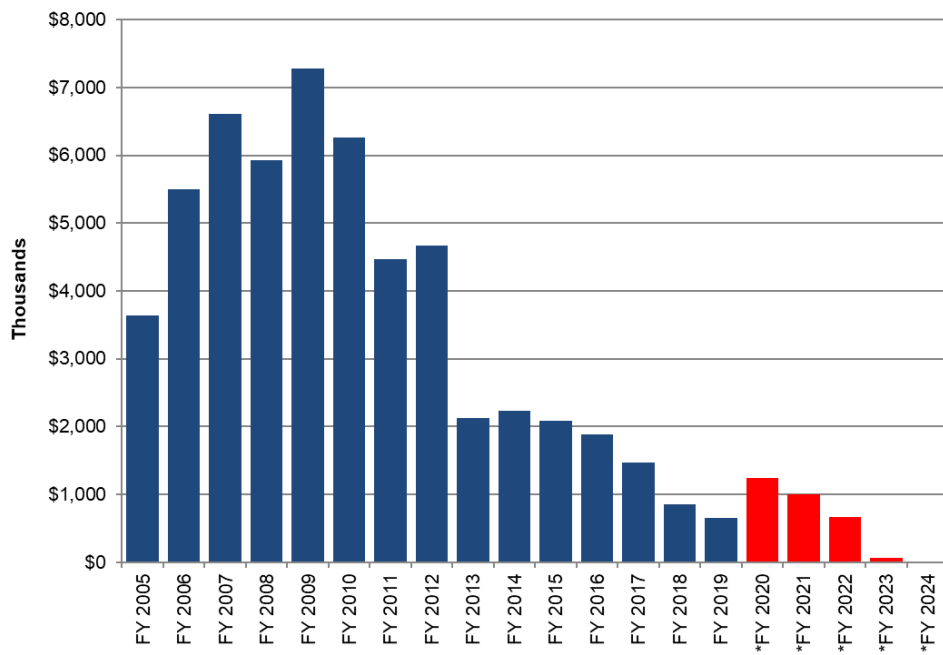
Table 2 — Ethanol Promotion Tax Credit History

* Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2005	\$ 3,636,880	FY 2015	\$ 2,090,841
FY 2006	5,499,516	FY 2016	1,879,612
FY 2007	6,605,192	FY 2017	1,470,088
FY 2008	5,923,665	FY 2018	856,007
FY 2009	7,277,511	FY 2019	650,278
FY 2010	6,255,807	*FY 2020	1,244,959
FY 2011	4,474,534	*FY 2021	1,005,947
FY 2012	4,667,303	*FY 2022	665,163
FY 2013	2,123,949	*FY 2023	65,080
FY 2014	2,235,001	*FY 2024	10,913

Graph 1 — Ethanol Promotion Tax Credit Redemptions

* Projected



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² The dollar amounts displayed in the table and graph include not only the current Ethanol Promotion Tax Credit, but also the previous version of the credit, called the Ethanol Blended Gasoline Tax Credit.